

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:1062

ANSWERED ON:27.07.2015

Indian Aviation Sector

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Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the Indian Aviation Sector including Public Sector companies/private airlines have been incurring heavy losses for the past few years and if so, the details thereof along with the reasons therefor;
- (b) whether the airlines have been compromising safety of aircraft operations due to financial stress and if so, the details thereof;
- (c) whether the Government has conducted any audit in this regard and if so, the details thereof along with its outcome;
- (d) whether the Government has also reviewed the operating and financial performance of the Indian Aviation Sector; and
- (e) if so, the details thereof along with the steps taken or being taken by the Government to reduce the losses and rejuvenate the aviation sector?

Answer

Minister of State in the Ministry of CIVIL AVIATION

(Dr Mahesh Sharma)

(a) : The details of financial status of the scheduled domestic airlines for the year 2011-12, 2012-13 and 2013-14 is at Annexure-I to Annexure-III.

The Indian Air Transport sector is largely driven by the global economic fortunes. It is a capital intensive sector with high operating cost, a large proportion of which is denominated in dollars, and hence affected by fluctuation of exchange rate. The airlines in particular are effected by the high cost of Aviation Turbine Fuel in India.

(b) and (c): No, Madam. An assessment of impact of financial stress on safety of operation of private scheduled airlines has been made by

Directorate General of Civil Aviation in the year 2014. It has been found that all private airlines are in varying degree of financial stress. The findings of the audit have been individually discussed with the top management of the airlines and they have been asked to optimise their operations and reduce the financial burden without compromising the safety of aircraft operations and take corrective steps to remove the findings.

(d) and (e): A Working Group was constituted under the Chairmanship of Secretary, Civil Aviation with Finance Secretary, Financial Services Secretary, Petroleum & Natural Gas Secretary, Director General, Directorate General Foreign Trade and Joint Secretary, Civil Aviation as Members, to address factors causing stress in the Civil Aviation Sector and suggest solutions to the same. Based on the recommendations of the Working Group, the Government increased FDI by foreign airlines to 49%, permitted airlines to import ATF on user basis, External Commercial Borrowings upto \$1 billion was permitted for the aviation sector. To reduce the cost of ATF, which constitute 40-50% of the operating cost of Airlines, the Civil Aviation has written to Chief Ministers of all states to reduce VAT on ATF.
